

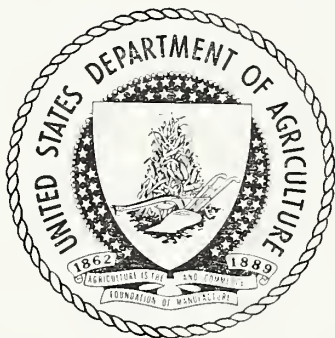
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LOANS TO FAMILY FARMERS for RECREATIONAL ENTERPRISES

The Farmers Home Administration, under the provisions of the Consolidated Farmers Home Administration Act of 1961, makes loans to farm families to buy, enlarge, develop and operate farms. This act was amended by the Food and Agriculture Act of 1962 to permit the use of loan funds to finance recreational enterprises. These loans are made to farmers and ranchers who personally manage and operate not larger than family farms. The authorization to use loan funds for providing recreational facilities will enable these family farmers to supplement their farm income. Technical management assistance will be provided with each loan.

Loans are made to farmers and ranchers who are unable to obtain the credit they need from other sources on reasonable terms. Loans for shifts in land use and the development of recreational facilities are also made by the FHA to associations of farmers and rural residents. Information on such association loans may be obtained from the county offices of the Farmers Home Administration.

Questions and answers explaining details of these loans follow:

How may loan funds be used?

Funds for recreational enterprises may be used to develop land and water, construct buildings, and to purchase land, equipment, livestock and other related recreational items including the payment of operating expenses. Recreational enterprises which may be financed on family farms include camping grounds, swimming facilities, tennis courts, riding stables, vacation cottages and lodges, lakes and ponds for boating and fishing, docks, nature trails, picnic grounds and hunting preserves.

What are the terms and interest rate?

Each loan is scheduled for repayment within a period consistent with the borrower's ability to repay taking into account his income from farming, recreation enterprises and any other income he may have. The maximum repayment period of the loan depends on what the funds are used for and the security provided for the loan. Repayments on loans secured by real estate may not exceed 40 years. Repayments on loans for non-real estate purposes may not exceed 7 years.

The interest rate is 5 percent per year on the unpaid principal. A borrower has the privilege of making payments in advance in years of high income to build up a reserve that may keep the loan in good standing during years of low income.

Each borrower is expected to refinance the unpaid balance of the loan when able to obtain such refinancing at reasonable rates and terms from other lenders.

What security is required?

Each loan will be adequately secured to protect the interest of the Government. Security for the loan depends on what the loan funds are used for and may consist of a mortgage on the farm, or on chattels, or on other suitable property. Long-term loans will be secured by a mortgage on the farm.

Who may borrow?

To be eligible an applicant must:

- (1) After taking into account all of his available resources, be unable to provide the needed funds himself or to obtain sufficient credit elsewhere at reasonable rates and terms to finance his actual needs.
- (2) Have the background and experience or training needed to be successful in the proposed farming and recreational operation.
- (3) Possess the character, industry and ability to carry out the proposed farming and recreational operation.
- (4) After the loan is made, be a tenant or owner operating not larger than a family farm and be receiving a substantial portion of his income from farming.
- (5) Be a citizen of the United States and of legal age.

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Who determines eligibility?

The county or area committee of the Farmers Home Administration determines the eligibility of the applicants. The committee consists of three farmers who know local farming and credit conditions and what it takes for success. Before acting on an application, the committee may ask the farmer and his wife to meet with them or they may visit the farm.

If the applicant is eligible, what is the next step?

The Farmers Home Administration county supervisor will assist the applicant in working out a farm and home plan including the plan for operation of the recreation enterprise so as to make the best use of land, water, labor and other resources. This plan will be a guide for the borrower and his family to follow in operating the farm and recreational enterprise. The plan which will include estimates of cost and income will also serve as a guide in determining the soundness of the proposed operation. Before a loan is made it must be clear that the borrower will have enough income to meet operating and living expenses and to repay the loan and other debts.

What determines the size of the loan?

The amount of the loan depends upon the applicant's needs and repayment ability. A borrower's total principal indebtedness for intermediate-term Farmers Home Administration loans for equipment and operating expenses may not exceed \$35,000.

A long-term loan secured by real estate may not exceed the normal value of the farm and other security minus any debts against this property and may not exceed the amount certified by the county committee. In no case may such a loan plus other debts against the security property exceed \$60,000.

How do these loans aid in rural areas development?

Loans help farm families acquire the resources they need to adjust their farm production, improve their operations, raise their standard of living, increase their incomes, and participate in new enterprises. This assistance in turn stimulates business activity throughout the community.

Where to apply for a loan?

A farmer applies at the county Farmers Home Administration office serving the area in which he expects to carry out his farming operations. There he will be given an application and the supervisor will be glad to answer any questions he may have.

Anyone unable to locate the local office may write to the Farmers Home Administration, U. S. Department of Agriculture, Washington 25, D. C.

U. S. Department of Agriculture
Farmers Home Administration

Washington 25, D. C.
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